

Message Text

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14

ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 FEA-01 ERDA-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

PA-01 PRS-01 /104 W

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R 220915Z DEC 75

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 3539

INFO AMEMBASSY PARIS

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E.O. 11652: N/A

TAGS: ENRG, AG

SUBJECT: CONOCO BUYS ALGERIAN OIL

REF: (A) ALGIERS 3397 (B) ALGIERS 3417

1. SUMMARY: CONTINENTAL OIL COMPANY SIGNED ONE-YEAR CONTRACT WITH SONATRACH, DEC. 18, FOR PURCHASE 10,000 B/D AT PRICE OF \$12.86. ALTHOUGH QUANTITY INVOLVED IS SMALL, CONTRACT ILLUSTRATES EASE WITH WHICH ALGERIANS SELLING 1976 OIL SUPPLIES, BUT AT SAME TIME DIFFICULTIES IN IMPLEMENTING AUTOMATIC PRICING SYSTEM AS ORIGINALLY ENVISAGED. END SUMMARY.

2. AFTER BRIEF NEGOTIATION, CONTINENTAL OIL COMPANY (CONOCO) CONCLUDED 10,000 BARREL PER DAY ONE-YEAR CONTRACT WITH SONATRACH ON DEC. 18. ACCORDING WILFRED FENTON, CONOCO'S CRUDE OIL MANAGER, CONTRACT WILL TAKE EFFECT JAN. 1 AND INITIAL CONTRACT PRICE WILL BE SET AT \$12.86. CONTRACT IS CONOCO'S FIRST IN RECENT YEARS

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WITH ALGERIA.

3. IN EXPLAINING BACKGROUND OF CONTRACT, FENTON TOLD EMBOFF THAT CONOCO DISCUSSED PURCHASE OF 20,000 B/D WITH SONATRACH EARLIER THIS FALL. DESPITE FACT THAT SONATRACH OFFERED PRICE MORE THAN 10 CENTS BELOW OFFICIAL PRICE, CONOCO TOP MANAGEMENT REJECTED DEAL. LATER, AS INCREASED MARKET DEMAND FOR LIGHT CRUDES (SUCH AS ALGERIAN CRUDE) BECAUSE CLEAR, CONOCO RECONSIDERED. AT THAT TIME, HOWEVER, SONATRACH ADVISED THAT ALL ITS OIL FOR 1976 HAD BEEN SOLD.

4. ON NOV. 14, FENTON NOTED, FRENCH PETROLEUM COMPANY, CFP, HAD ANNOUNCED PLANS TO INCREASE ITS OFFTAKE OF ALGERIAN CRUDE TO 200,000 B/D (REFTEL A), AS RESULT OF ELF WITHDRAWAL FROM ALGERIA. SHORTLY AFTER THIS, ANNOUNCEMENT MADE THAT SONATRACH WAS REPURCHASING SOME OF CRUDE TO WHICH CFP HAD RIGHTS UNDER NEW ACCORD. (ACCORDING TO PRESS SONATRACH REPURCHASED 20,000 B/D). IT WAS PORTION OF THIS OIL THAT WAS BEING SOLD TO CONOCO ALTHOUGH AT A HIGHER PRICE THAN ORIGINALLY OFFERED BY SONATRACH, FENTON SAID. HE ADDED THAT CONOCO WOULD PURCHASE AN ADDITIONAL 20,000 B/D OF ALGERIAN CRUDE FROM CFP ITSELF.

5. RE TERMS OF CONTRACT, FENTON NOTED SONATRACH ORIGINALLY HAD ASKED CONOCO TO ACCEPT AUTOMATIC FORMULA (REFTEL B) UNDER WHICH PRICE WOULD BE DETERMINED MONTHLY. CONOCO REJECTED THIS SAYING IT WOULD NOT KNOW UNTIL MID-MONTH WHAT PRICE IT PAYING FOR THAT MONTH'S OIL. NEXT SONATRACH SUGGESTED FIXED PRICE TO BE RENEGOTIATED AT ANY TIME THAT FORMULA PRICE WAS DIFFERENT FROM FIXED PRICE BY 15 CENTS WHEN CONOCO REJECTED THIS ALSO, BOTH SIDES SETTLED FOR QUARTERLY PRICE RENEGOTIATION. (THIS IS CONSISTENT WITH PIW OF DEC. 1 WHICH REPORTS THAT THESE THREE OPTIONS AVAILABLE TO SONATRACH CUSTOMERS.)

6. FENTON SAID HE HAD IMPRESSION FROM TALKING TO SONATRACH'S CHIEF NEGOTIATOR ON THIS CONTRACT (MOHAMED BAYOU) THAT AVERAGE PRICE PER BARREL FOR LIMITED OFFICIAL USE

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ALGERIAN OIL IN FIRST QUARTER OF 1976 WAS IN \$12.80-12.90 RANGE, THOUGH HE KNEW OF ONE US BUYER AT \$12.75 AND ANOTHER SMALLER CONTRACT SIGNED AT \$13.00.

7. CONOCO WAS ALSO INTERESTED IN BUYING ALGERIAN PETROLEUM PRODUCTS. HE WAS ADVISED BY SONATRACH OFFICIALS HOWEVER THAT ALGERIA WAS NOW NET IMPORTER OF MIDDLE DISTILLATES AND HAD ONLY VERY SMALL GASOLINE SURPLUS,

THUS NO CONTRACTS POSSIBLE AT THIS TIME.PARKER

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